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U.S. Bond Funds Draw Most Cash in Nearly 6 Months.

NEW YORK, July 25 (Reuters) – U.S. fund investors pushed the most cash in nearly 6 months into bonds in the latest week and inched back into stocks for the first time in 5 weeks, Investment Company Institute data showed on Wednesday.

The data, collected over the seven-day period through July 18, shows investors tip-toeing into a market despite ongoing concern over the U.S. conflict with its trading partners.

During that week, Federal Reserve Chairman Jerome Powell expressed an optimistic view on the U.S. economy and early earnings reports mostly bolstered the outlook for the most recent quarter.

Bond mutual funds and exchange-traded funds based in the United States collected nearly $8.7 billion during the week and stock funds pulled in another $1.5 billion, according to the trade group.

The strong sales for debt funds were helped by nearly $1.8 billion pumped into municipal bond funds that offer tax-free income, the most cash for those products since late January, ICI's records show.

Seen as a lower-risk source of income than equities, bond funds have drawn strong demand despite the risk of rising interest rates and inflation, not to mention the year-to-date negative performance of many such debt funds.

Bond ETFs, in particular, have also drawn interest from institutions that traditionally favored trading individual bonds.

Nearly 87 percent of the cash that moved into stock funds went into products primarily invested within the United States, according to the ICI.

After strong demand for stocks outside the country in 2017 and earlier this year, investors started pulling cash in recent weeks as anxiety spiked about U.S. interest rate hikes as well as the consequences of a growing trade war for the dollar and equity markets around the world.

The following table shows estimated ICI flows for mutual
funds and ETFs (all figures in millions of dollars):

7/18 7/11 7/3 6/27 6/20/2018
Equity 1,492 -3,155 -10,614 -17,948 -5,173
Domestic 1,297 -1,546 -11,376 -12,535 -3,880
World 195 -1,609 762 -5,413 -1,293
Hybrid -1,829 -1,048 -2,552 -1,134 -857
Bond 8,659 7,445 4,587 2,980 4,549
Taxable 6,894 6,416 4,231 2,455 3,806
Municipal 1,765 1,028 356 525 742
Commodity -308 101 -1,027 -612 -264
Total 8,013 3,343 -9,606 -16,714 -1,745

(Reporting by Trevor Hunnicutt; Editing by Dan Grebler)

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